

Message Text

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XMB

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E.O. 11652: N/A

AGS:ECON, BEXP, ENRG

SUBJECT: FINANCING FOR ENGINEERING AND DESIGN STUDIES FOR
EL BRITO HYDROELECTRIC PROJECT.

REF: MANAGUA 02200

1. EXIMBANK LEGISLATION SPECIFIES THAT EXIM IS NOT REPEAT
NOT TO COMPETE WITH COMMERCIAL BANKS. THIS HAS BEEN INTER-
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PRETEND TO MEAN THAT ENGINEERING AND DESIGN STUDIES INVOLV-
ING THE AMOUNTS INDICATED IN MANAGUA 02200 WOULD BE APPRO-
PRIATE FOR PRIVATE BANKS OR SUPPLIER FINANCING. THEREFORE
ENGINEERING AND/OR DESIGN STUDIES ARE NOT CONSIDERED
ELIGIBLE FOR EXIMBANK'S DIRECT CREDIT PROGRAM.

2. IF A COMMERCIAL BANK OR U.S. SUPPLIER DESIRE A GUARANTEE
OR INSURANCE TO COVER A PART OF THE RISK SUCH A BANK OR
SUPPLIER MAY MAKE A REQUEST THROUGH EXIM'S BANK GUARANTEE

PROGRAM OR THRU THE FOREIGN CREDIT INSURANCE ASSOCIATION (FCIA). AT THE TIME THE COMMERCIAL BANK OR SUPPLIER MAKES SUCH A REQUEST EXIMBANK WILL REVIEW ALL THE RELEVANT FINANCIAL DATA AND IN LIGHT OF THESE DATA AND COUNTRY CONDITIONS AT THAT TIME WILL MAKE A DECISION AS TO WHETHER TO PROVIDE COVER OR NOT.

3. EVEN IF EXIMBANK PROVIDES COVER FOR PART OF THE RISK UNDER OUR GUARANTEE OR INSURANCE PROGRAMS FOR THE STUDIES, IT SHOULD BE EMPHATICALLY POINTED OUT TO VICE MINISTER RENER THAT THIS DOES NOT REPEAT NOT IMPLY ANY EXIMBANK SUPPORT FOR THE PROJECT ITSELF. INDEED WHAT LITTLE EXIMBANK NOW KNOWS ABOUT THE PROJECT SUGGESTS THAT IT MAY BE OVERLY AMBITIOUS, PROHIBITIVELY EXPENSIVE, ECOLOGICALLY QUESTIONABLE, AND WOULD REQUIRE THE STRONG SUPPORT OF THE GOVERNMENT OF COSTA RICA SINCE ITS BORDER AND TERRITORY WOULD ALSO BE AFFECTED, PERHAPS ADVERSELY. IN SHORT EXIMBANK HAS SERIOUS RESERVATIONS ABOUT THE PHYSICAL, FINANCIAL AND POLITICAL VIABILITY OF THE PROJECT AND IS ADDITIONALLY TROUBLED BY THE IDEA THAT SUCH A LARGE PROJECT IS BEING CONTEMPLATED BY A GOVERNMENT WHOSE FINANCIAL RESOURCES ARE ALREADY UNDER SEVERE STRAIN AND HAS SUCH A HIGH LEVEL OF EXTERNAL DEBT. VANCE

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Message Attributes

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